

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 94-212-E - ORDER NO. 94-373 *✓c*
APRIL 27, 1994

IN RE: In the Matter of Carolina) ORDER GRANTING AUTHORITY TO
Power & Light Company) ISSUE ADDITIONAL SECURITIES
) (FIRST MORTGAGE BONDS)

This matter comes before the Public Service Commission of South Carolina (the Commission) upon the application of Carolina Power & Light Company (CP&L or the Company) filed on April 19, 1994, requesting Authority to Issue Additional Securities in the form of First Mortgage Bonds.

FINDINGS OF FACT

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The name and post office address of its attorney is Adrian N. Wilson, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the state of North Carolina, with its principal office at 411 Fayetteville Street, Raleigh, North Carolina, where it is engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at December 31, 1993 consisted of Common Stock with a stated value of \$1,622,277,000 and Preferred Stock having a stated value of

\$143,801,000. As of December 31, 1993, the retained earnings of the Company were \$1,231,354,000.

The Company's existing long-term debt at December 31, 1993 amounted to principal amounts of \$2,233,646,000 in First Mortgage Bonds and \$532,320,000 in other long-term debt. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W.T. Cunningham, who presently is acting as Individual Trustee, as supplemented by sixty-two Supplemental Indentures.

3. Pursuant to the provisions of its Charter and for the proposes hereinafter stated, the Company proposes to issue up to \$122,600,000 aggregate principal amount of First Mortgage Bonds, Pollution Control Series L and M (the "First Mortgage Bonds"). In connection with the issuance thereof, the Company now proposes to create, execute and deliver on or about May 1, 1994, a Sixty-third Supplemental Indenture to the Mortgage and Deed of Trust dated as of May 1, 1940, to The Bank of New York (formerly Irving Trust Company) and Frederick G. Herbst (W.T. Cunningham, Successor), as Trustees, such Supplemental Indenture to be substantially in the form of the draft attached to the Company's Application as Exhibit A.

4. The Company proposes to enter into Loan Agreements with the Wake County Industrial Facilities and Pollution Control Financing Authority in Wake County, North Carolina (the "Authority), with such Loan Agreements to be substantially in the

form of the draft Loan Agreement attached to the Company's Application as Exhibit B. Under the terms of the Loan Agreements, the Authority will issue and sell up to \$122,600,000 aggregate principal amount of Pollution Control Revenue Refunding Bonds in two series (the "Bonds") in accordance with Indentures of Trust, with such Indentures of Trust to be substantially in the form of the draft Indenture of Trust attached to the Company's Application as Exhibit C. Such sale will be made in an underwritten public offering as described in Official Statements, with such Official Statements to be substantially in the form of the preliminary draft Official Statement attached to the Company's Application as Exhibit D. The Bonds will mature no later than 40 years from the date of issuance. Upon issuance, the Bonds will bear interest as determined through a dutch auction process. The interest rate on the Bonds will adjust at 28- or 35- day intervals through additional dutch auctions. If such an auction were conducted as of the date of the Company's Application, it is expected that the interest rate on the Bonds would be approximately 2-3/4%. At the Company's option, the Bonds may be converted to a daily variable interest rate, a weekly variable interest rate, a commercial paper variable interest rate, a term interest rate for a term of one or more whole years or a fixed interest rate to maturity, with reference to market conditions.

5. The Bonds will be secured by bond insurance. At the Company's option, security or liquidity may be provided at any point in time by a letter of credit or another form of security deemed appropriate by the Company.

6. The proceeds from the sale of the Bonds will be loaned by the Authority to the Company for the purpose of refinancing by the payment or redemption, or provision therefor, of the outstanding The Wake County Industrial Facilities and Pollution Control Financing Authority Pollution Control Revenue Bonds (Carolina Power & Light Company Project), Series 1984A (the "1984A Bonds"). The issuance of the 1984A Bonds was approved by this Commission in Docket No. 84-277-E for the purpose of financing the construction of pollution control facilities at the Company's Harris Plant in Wake County, North Carolina.

7. The Company's obligation to make the payments due under the Loan Agreements for principal and interest on the Bonds is absolute, irrevocable and unconditional. The Company estimates that it will incur expenses of approximately \$670,000, underwriters' fees of approximately \$460,000 in connection with the transaction, and insurance expenses of approximately \$1,075,000.

8. Attached to the Company's Application as Exhibit E are a Balance Sheet of the Company as of December 31, 1993, and an Income Statement of the Company for the twelve months ended December 31, 1993, with a pro forma statement. When the Supplemental Indenture, the form of which is attached to the Company's Application as Exhibit A, and the Loan Agreements, the form of which is attached to the Company's Application as Exhibit B, have been executed, a copy of the final forms thereof will be filed with this Commission as a Supplemental Exhibit in this proceeding.

9. In compliance with Order No. 91-72 in Docket No. 91-032-E, the Company provided the following additional

information:

- a. The effect of the proposed transaction on the Balance Sheet and Income Statement of the Company is set forth in Exhibit E attached to the Company's Application.
- b. As described above in paragraph 6, the proceeds from the sale of the Bonds will be loaned by the Authority to the Company for the purpose of refinancing the 1984A Bonds.
- c. If the proposed transaction is not approved or if the approval is delayed, the Company will be unable to take full opportunity for interest expense savings of the difference between the interest rate on the 1984A Bonds and the expected interest rate of the Bonds.
- d. The interest rate of the Bonds at the time of issuance is expected to be approximately 2-3/4%.
- e. The interest savings from the proposed transaction is expected to be approximately \$4,600,000 annually. Expenses, underwriting fees, and insurance expenses are set forth in paragraph 7 above.
- f. The impact of the proposed transaction on the Company's capital structure is set forth in Exhibit F to the Company's Application.

CONCLUSIONS OF LAW

10. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

11. This Order shall not, in any way, effect or limit the right, duty, or jurisdiction of the Commission to further

investigate and order revisions, modifications, or changes with respect to any provisions of this Order in accordance with the law.

12. The proposed issuance of First Mortgage Bonds pursuant to the Supplemental Indenture and undertaking of payment obligations under the Loan Agreements are subject to regulation by this Commission pursuant to S.C. Code Ann. §58-27-1710 (1976), et seq. The Company respectfully submits that the proposed issuance of First Mortgage Bonds pursuant to the Supplemental Indenture and undertaking of payment obligations under the Loan Agreements with respect to the issuance of Pollution Control Revenue Refunding Bonds in an aggregate principal amount of up to \$122,600,000:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and
- (v) Are reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED:

1. That Carolina Power & Light Company be and hereby is authorized, empowered and permitted to enter into the transaction described herein and to execute and deliver such instruments, documents, and agreements as shall be necessary or appropriate in order to effectuate such transaction.

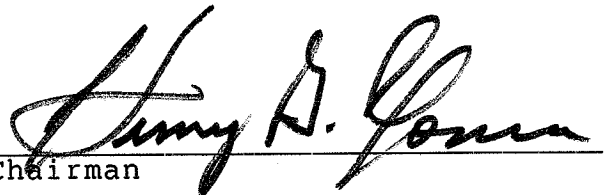
2. That the terms and conditions of its proposed Supplemental Indenture and Loan Agreements, substantially in the forms described herein and attached as exhibits to the Company's Application with respect to the issuance of up to \$122,600,000 principal amount of Pollution Control Revenue Refunding Bonds be and hereby are authorized and approved.

3. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

4. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)